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Revisiting the legacy of colonialism: Africa, India and Latin America

Alejandra Irigoin (LSE)

The task of Latin American economic historiography seems to be the explanation of persistent economic failure in the region. From the very beginning of the professional research in the 1960s economic historians have tried to understand the disappointing trajectory of the region's economies in the sequence of 'stops' and 'goes', a recurrent macroeconomic disequilibrium, the repeated bout of fast growth checked out by inflation, and the persistent volatility of growth rates in the long run, as economic growth did (does) not hold in Latin America. Over time diverse interpretations have not changed the overall impression that development in the region is doomed to fail sooner rather than later; and the feature repeats in the scholarship for each individual country. Economic historians have explained this 'curse' from various theoretical standpoints – i.e. modernization and dependency theory, structuralism and Marxist, neoclassical trade and neo-institutional economics as much as those emphasizing the role of geography, of culture and ethnicity, or political economy or policies of various sorts.

Latin American disappointing trajectory has been labelled in many ways: as the region 'fell behind', 'was left behind', 'was pushed away'; the region has 'lost decades', wasted 'episodes of globalization' and missed the 'technology driven structural change' in various and different centuries. Despite few comparative analyses of the performance of Latin America with its own potential, *relative* Latin America's economic failure has become a logical truism. All these interpretations share a double common thread: 1) failure is a fact established against the success of other regions, usually the US, hence relative, and 2) it is measured by aggregate national economic indicators. Angus Madison's influential GDP series have established this trajectory and periodization. This resource bears the inconvenience of comparing a region made of several units containing a very diverse geography with a single national economy like the US. Inevitably, data which is adequate for growth accounting exercises is derived from information at national level produced by states which had the administrative means to count and measure. This capacity has been historically elusive to Latin American countries and mirrors their particular institutional development. In fact, the present territorial composition of Latin American republics and the US were not a far gone conclusion in the 1830s (unless the pre-existence of a nation is taken for granted). To make just one example: with the Mexican American War, Mexico lost more than half of her territory – a loss comparable in size to the whole of Western Europe – to the US, which increased hers by a third. Hence any extrapolation backwards from the present countries is prone to incur in unsolvable mistakes.

Quantifications of demographic and economic data with some robustness are available only after 1870 in the best case. Earlier estimate demands backwards extrapolations imposing important theoretical assumptions to specify units of analysis or national scales, for example. Compare this unavailability of satisfactory serial information in any Latin American country with the decadal censuses of US population starting in 1790. This remarkable difference, apparent in the different state capacity of one and another part of the Americas, speaks volumes of the inadequacy of comparisons between them. In turn, empirical work based on cross country regression analysis has 'compressed' the contingencies of history. Endogenous growth theories have tended to overlook accidents, erased cleavages making economic historical

explanations path dependent ones, instrumental variables 'permitting'. Yet, this scholarship has made more comparable a research which was formerly too confined to national specificities, but ironically, economic historians are more inclined to explain persistence than enquiring about change, which is the trade of a historian.

Among the most recent contingent of such scholarship, institutionalists have offered a parsimonious model pointing at the long roots of Latin America erratic development. All this was started, notably by new(er) economic historians of the US, who in the last few years have revisited the economic history of the region renewing a welcome attention to the colonial period. At a time when most historians have drifted away from historical economic issues and social scientists are content with 'stylised facts' to instrumentally test theories and models, institutional economists have revived the interest on the region's economic history.

Scholars like Acemoglu, Johnson and Robinson (AJR) or Engerman and Sokoloff (ES) have become household names to academics and multilateral institutions, and have shaped the field of economic history, development and political science for the last decade or so. One early piece stood out in particular: 'The colonial origins of comparative development an *empirical investigation*'¹. Fifteen years ago these authors started a controversy with ES' much celebrated article titled '*History lessons: institutions factor endowments and path of developments in the New World*'² on whether endowments or institutions were more prevalent in setting patterns of long run development. In spite that the argument was probably more accurate for New England, than for the US as a whole, the underlying comparator for the US trajectory was South (Iberian) America. The ES's was admittedly a 'view from the US' as in the title of their first 1997 article. In their argument the well-known failure of Latin American economies effectively served as counterpoint of the US' superior path.

Such is Latin America' notorious reputation that indeed AJR or ES did not produce new data for their research; they rather assembled figures available and 'stylized facts' drawn from historical research to produce original estimates and ingenious instruments to convey - without much of 'the empirical evidence' - 'the lessons that history' had to offer, in their own words. Hence, an ambiguous dichotomy between geography – factor endowments- and institutions became a rhetorical device to qualify political institutions in one and another part of the Americas that co-evolved with a (negative) growth outcome. The conventional wisdom helped a lot to identify those with Latin America's. Relating the determinants of the Latin American failure to inequality as result of bad institutions has also paradoxically revived the interests for economic historical research on colonialism and the early modern empires.

A great deal of the extraordinary appeal of these interpretations is their shrewd insights on the role of political institutions. This was particularly perspicacious in the case of Latin America and Africa, both traditional examples of European colonialism, after 50 years of massive institutional experimentation with disappointing results in terms of development and equality.

¹ Published in *The American Economic Review*, 91 (05): 1369-401, in its NBER version has 8,929 citations according to Google scholar as of May 2016. Emphasis added to the title.

² Engerman, SL., and Sokoloff, KL. 2002. "Factor Endowments, Inequality, and Paths of Development among New World Economies". *Economía*. 3 (1): 41-109 has 1045 citations. An earlier version in a book chapter – less accessible online- is 'Factor Endowments, Institutions and Differential Patterns of Growth among New World Economies. A view from Economic Historians of the United States' in S. Haber, (ed) *How Latin America Fell Behind*, (Stanford, 1997) pp 261-304 had 1,470 citations. Emphasis added to the title.

Institutionalist models command an extraordinary influence in the economic history scholarship of these regions nowadays. A meeting organized by *Revista de Historia Económica*/Journal of Iberian and Latin American Economic History together with the Fundación Ramón Areces early in 2015 (Madrid), brought together economic historians of other empires with Spanish economic historians to engage in a consideration of the so called AJR paradigm and to what extent the present day poor development in formerly colonial regions like Africa, India and Latin America has some colonial roots. The articles of the following section are the fruits of the discussion.

Irigoin's article examines the legacy that Spain's colonial rule imposed on Latin America trajectory. It surveys the fiscal and constitutional outcomes of Independence and assesses the relative fiscal burden of colonialism comparing it with the extraction rate by the subsequent self-governed regimes. Independence is presented as an exogenous shock which resulted in fundamental constitutional changes in relation to taxation and representation for the new autonomous states and markets. The article compares Latin American trajectory with Spain's and finds that comparable outcomes and policies point at a common legacy of some institutions completely independent of the colonial status of the former. The comparison of the fiscal path of both with that of the US's qualifies institutionalist interpretations of Spanish American development and more importantly offers a testable argument for the inadequacy of using the US as standard in the comparative approach of these institutional models.

Zooming out beyond the Americas – the empirical ground for the literature on settlers and predatory colonialism- Tirthankar Roy looks at India as a case inherently different of the characterization of European colonialism. Roy presents a model of colonial governance away from land-grabbing or labour-exploiting institutions with low settlement of Europeans and yet without extractive institutions. His study of the imperial governance in India highlights the agency of Indian capitalist and their autonomy (and leverage) before the English East India Company and the British colonial state. The case of India casts a serious challenge to the simplistic dual model of settlers or predators colonialism inbuilt in the institutional paradigm explaining the determinants of long term development.

A similarly nuanced relation between the European colonialism and indigenous agents is visible in the study by Frankema, Green and Hillborn of the 'colonial settlement' in Africa. They highlight problems of transference of technology, human capital and capitalist or developmental institutions which define European colonialism in the region. The authors qualify the path dependent nature of the process of colonial settlement assigned by the 'settlers / predatory' models and point at exogenous factors like the local ecological conditions, the epidemiological environment and the resource endowments in the early phases, which encouraged or discouraged later waves of colonial settlement. Frankema, Green and Hillborn also remind of the agency of African peoples and reveal the transmission channels like economic technologies, education, and (inclusive) institutions which resulted in conflict and cooperation but were rarely imposed by Europeans unilaterally. The article questions the order of causation inbuilt in the AJR model that implies a direction running from settlement processes to long term economic development. It explores some tentative answers and counterfactuals by comparing the political economic context of the settlement of Europeans farmers in West, East and Southern Africa.